1. If the marginal propensity to consume is 0.75, what is the multiplier = 1/(1 − MPC)?

   _____

2. Which is a benefit of economic growth?

   ☐ higher living standards and more jobs

   ☐ guaranteed lower inflation

   ☐ less government revenue

   ☐ automatic equality

3. There are 3 million unemployed in a labour force of 40 million. What is the unemployment rate (%)?

   _____

4. Using money to compare the value of different goods is its role as a:

   ☐ medium of exchange

   ☐ standard of deferred payment

   ☐ unit of account

   ☐ store of value

5. Which is an injection into the circular flow?

   ☐ government spending

   ☐ taxation

   ☐ imports

   ☐ saving

6. A potential cost of rapid economic growth is:

   ☐ environmental damage and resource depletion

   ☐ lower GDP

   ☐ falling incomes

   ☐ higher unemployment always

7. Unemployment caused by a mismatch between workers' skills and available jobs is:

   ☐ frictional

   ☐ structural

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   ☐ cyclical

8. Commercial banks can only lend out cash that savers have already deposited.

   ☐ True ☐ False

9. A higher rate of saving or imports increases the size of the multiplier.

   ☐ True ☐ False

10. Sustainable development meets present needs without compromising those of future generations.

    ☐ True ☐ False

1. **4**

   $1 / (1 - 0.75) = 1 / 0.25 = 4$.

2. **higher living standards and more jobs**

   Growth raises incomes, employment and tax revenue for public services.

3. **7.5**

   $(3 / 40) \times 100 = 7.5\%$.

4. **unit of account**

   A unit of account lets us measure and compare values.

5. **government spending**

   Injections are I, G, X; saving, taxes and imports are withdrawals.

6. **environmental damage and resource depletion**

   Growth can deplete resources and damage the environment, among other costs.

7. **structural**

   Structural unemployment comes from industry/skill mismatch (e.g. declining industries).

8. **False**

   False. When a bank makes a loan it creates a new deposit in the borrower's account. Most money in a modern economy is bank-created credit, not cash.

9. **False**

   False. More income leaks out of the circular flow in each round, so less is re-spent and the multiplier is smaller: k = 1 / (MPS + MPT + MPM).

10. **True**

    That is the standard (Brundtland) definition of sustainable development.